

Interdisciplinary Programmes

Academic year 2020-2021

Economics of Development

DE137 - Spring - 6 ECTS

Tuesday 10h15 - 12h00

Course Description

The course provides an introduction to development economics. The first part focuses on economic growth, on the importance of history for the development of institutions and on public goods. The second part covers inequality, education, health and gender, and the final part land and credit markets.

> PROFESSOR

[Lore Vandewalle](#)

[Office hours](#)

> ASSISTANT

[Kritika Saxena](#)

[Office hours](#)

Syllabus

The slides and readings will be available on Moodle one week before each lecture.

Class Participation

The lectures will make use of PINGO, which is an acronym for 'Peer Instruction for very large groups'. To participate, you will need internet access either through your mobile phone or through your laptop: pingo.upb.de

Review Sessions

The teaching assistant will provide two review sessions per week. It is highly recommended to attend one of those. One session will be tailored to students with a limited background in economics, while the other session is more advanced and helpful to students who want a deeper understanding of economics.

Grading

The grade is based on two exams: The mid-term exam takes place on the **13th of April** (45%), and the final exam on the **1st of June** (55%).

OUTLINE

PART I: DEVELOPMENT AND GROWTH

LECTURE 1 [FEBRUARY 23]: MEASURING ECONOMIC GROWTH AND DEVELOPMENT

The first lecture focuses on the concepts of economic growth and economic development. We introduce a measure of national income that allows comparing a nation's economic activity over time and relative to other countries. While economic growth is central to achieving economic development, there is much more to economic development than growth alone. We discuss a widely cited indicator of economic development, namely the human development index.

Required Readings:

- D Perkins, H., S. Radelet, D. L. Lindauer and S. A. Block (2013), *Economics of Development*, W. W. Norton & Company, Chapters 1, 2 and 3.

LECTURE 2 [MARCH 2]: ECONOMIC CONCEPTS

We discuss the different economic concepts that will be used in the lectures. Students are expected to know the concepts prior to each of the lectures in which they will appear.

Required Readings:

- Economic_concepts_2021.pdf

LECTURE 3-4 [MARCH 9-16]: THEORIES OF ECONOMIC GROWTH

We first discuss the Harrod-Domar model, which relates growth to important economic variables. Next, we study the model of Noble prize winner Solow, which was the first important contribution to the theory of economic growth. In the Solow model growth is determined entirely by one exogenous element, namely by the rate of technical progress. The assumption that technical progress falls on societies like manna from heaven is farfetched. Human beings, through their conscious actions (and some luck), determine the rate of technical progress. The new growth theories made such actions part of an explanatory theory. We discuss the theory developed by Romer.

Required Readings:

- Ray, D. (1998), *Development Economics*, Princeton University Press, Chapters 3 and 4.

Optional Readings:

- Banerjee, A. and Duflo, E. (2019), *Good Economics for Hard Times: Better Answers to Our Biggest Problems*, Allen Lane, Chapter 5: The end of growth?
This introduces the lectures on growth and institutions – We highly advice you reading this chapter, especially if you did not take an introduction to economics in the past.
- Romer, P. (1986), Increasing Returns and Long Run Growth, *Journal of Political Economy*, 94, pp. 1002-1037.

- Solow R. (1956), A Contribution to the Theory of Economic Growth, *Quarterly Journal of Economics*, 70(1), pp. 65-94.

LECTURE 5 [MARCH 23]: HISTORICAL LEGACIES AND DEVELOPMENT

Why do some countries grow richer and other do not? Patterns of economic growth have been driven by much more than just levels of investments and human resources. In this lecture, we look at the role of legal systems, colonization and political institutions, among other forces.

Required Readings:

- Acemoglu, D., S. Johnson and J.A. Robinson (2001), The Colonial Origins of Comparative Development: An Empirical Investigation, *American Economic Review*, 91(5), pp. 1369-1401.
- Nunn, N. (2009), The Importance of History for Economic Development, *Annual Review of Economics*, 1(1), pp. 65-92.

Optional Readings:

- Glaeser, E., R. La Porta, F. Lopez-De-Silanes, and A. Shleifer, (2004), Do institutions cause growth?, *Journal of Economic Growth*, 9(3), pp. 271-303.

LECTURE 6 [MARCH 30]: GOVERNMENT FAILURE AND CORRUPTION

Public goods are remarkably scarce in poor rural communities. The distribution of public goods is the result of political accountability, and may be hampered by corruption.

Required Readings:

- Olken, Ben (2007), Monitoring Corruption: Evidence from a Field experiment in Indonesia, *Journal of Political Economy*, 115 (2), 201-249.
- Svensson, J. (2005), Eight Questions about Corruption, *Journal of Economic Perspectives*, 19 (3), pp. 19-42.

Optional Readings:

- Bertrand, M., S. Djankov, R. Hanna and S. Mullainathan (2007), Obtaining a Driving License in India: An Experimental Approach to Studying Corruption, *Quarterly Journal of Economics*, 122(4), pp. 1639-1676.
- Fisman, R. and E. Miguel (2007), Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets, *Quarterly Journal of Economics*, 115 (6), pp. 1020-1048.

LECTURE 7 [APRIL 13]: MID-TERM EXAM

PART II: DISTRIBUTION AND HUMAN CAPITAL

LECTURE 8 [APRIL 20]: INEQUALITY AND POVERTY

We will discuss the most important indicators of poverty and inequality.

Required Readings:

- Perkins, D. H., S. Radelet, D. L. Lindauer and S. A. Block (2013), *Economics of Development*, W. W. Norton & Company, Chapter 6.
- Ray, D. (1998), *Development Economics*, Princeton University Press, Chapter 6.3

Optional Readings:

- Banerjee, A. and E. Duflo (2007), The Economic Lives of the Poor, *Journal of Economic Perspectives*, 21(1), pp. 141-168.

LECTURE 9 [APRIL 27]: DELIVERING EDUCATION

Required Readings:

- Duflo, E. (2001), Schooling and labor market consequences of school construction in Indonesia: Evidence from an unusual policy experiment, *American Economic Review*, 91(4), pp. 795-813.

Optional Readings:

- Angrist, J. and E. Bettinger, E. Bloom, E. King and M. Kremer (2002), Vouchers for Private Schooling in Colombia: Evidence from a Randomized Natural Experiment, *American Economic Review*, 92(5), pp. 1535-1558.
- Angrist, J. and E. Bettinger and M. Kremer (2006), Long-Term Educational Consequences of Secondary School Vouchers: Evidence from Administrative Records in Colombia, *American Economic Review*, 96(3), pp. 847-862.
- Angrist, J. and V. Lavy (1999), Using Maimonides' rule to estimate the effect of class size on scholastic achievement, *Quarterly Journal of Economics*, 114(2), pp. 533-575.
- Duflo, E., R. Hanna, and S. Ryan (2012), Incentives work: Getting teachers to come to school, *American Economic Review*, 102(4), pp. 1241-1278.
- Jensen, R. (2012), Do labor market opportunities affect young women's work and family decisions? Experimental evidence from India, *Quarterly Journal of Economics*, 127, pp. 753-792.
- Muralidharan, K. and N. Prakash (2017), Cycling to school: Increasing secondary school enrollment for girls in India, *American Economic Journal: Applied economics*, 9(3), pp. 321-350.

LECTURE 10 [MAY 4]: DELIVERING HEALTH CARE

Good health is a determinant of economic outcomes and a component of the well-being of the population. We discuss low-hanging fruit for better health, and deworming.

Required Readings:

- Banerjee, A. and E. Duflo (2012), *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, PublicAffairs, chapter 3.
- Miguel, E. and M. Kremer (2004), Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities, *Econometrica*, 72(1): 159-217.

Optional Readings:

- Baird, S., J. Hicks, M. Kremer and E. Miguel (2016), Worms at Work: Long-Run Impacts of a Child Health Investment, *Quarterly Journal of Economics*, 131(4): 1637–1680.

LECTURE 11 [MAY 11]: GENDER AND NORMS

Required Readings:

- Ashraf, N., N. Bau, N. Nunn and A. Voena (2020), Bride Price and Female Education, *Journal of Political Economy*, 128(2), pp. 591-641.
- Chattopadhyay, R. and E. Duflo (2004), Women as Policy Makers: Evidence from a Randomized Policy Experiment in India, *Econometrica*, 72(5), pp. 1409-1443.

Optional Readings:

- Atkin, D (2016), The Caloric Costs of Culture: Evidence from Indian Migrants, *American Economic Review*, 106(4): 1144-1181.

- Bau, N. (2018), Can Policy Crowd Out Culture? *Working Paper*.
- Cassan G. and L. Vandewalle (2019), Identities and Public Policies: Unintended Effects of Political Reservations for Women in India, *Working Paper*.
- Fernandez, R. and A Fogli (2009), Culture : An Empirical Investigation of Beliefs, Work and Fertility, *American Economic Journal: Macroeconomics*, 1(1): 146-177.
- Jensen, R. and E. Oster (2009), The Power of TV: Cable Television and Women's Status in India, *Quarterly Journal of Economics*, 124(3), pp. 1057-1094.
- La Ferrara, E., A. Chong and S. Duryea (2012), Soap Operas and Fertility: Evidence from Brazil, *American Economic Journal: Applied Economics*, 4(4): 1-31.

PART III: MARKETS

LECTURE 12 [MAY 18]: LAND MARKETS

Required Readings:

- Ray, D. (1998), *Development Economics*, Princeton University Press, Chapter 11, 12.2 and 12.3

LECTURE 13 [MAY 25]: CREDIT MARKETS AND FINANCIAL INCLUSION

Required Readings:

- Somville, V. and L. Vandewalle (2018), Saving by Default: Evidence from a Field Experiment in Rural India, *American Economic Journal: Applied Economics*, 10(3): pp. 39-66.

Optional Readings:

- Banerjee, A., D. Karlan, and J. Zinman (2015), Six Randomized Evaluations of Microcredit: Introduction and Further Steps. *American Economic Journal: Applied Economics*, 7(1): pp. 1-21.
- Casini, P., L. Vandewalle, Z. Wahhaj (2017), Public Good Provision in Indian Rural Areas: the Returns to Collective Action by Microfinance Groups, *World Bank Economic Review*, 31(1): pp. 97-128.
- Demirguc-Kunt, A., L. Klapper, D. Singer, S. Ansar and J. Hess (2018). Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. *Washington, DC: World Bank*.
- Desai, R. and S. Joshi (2014), Collective Action and Community Development: Evidence from Self-Help Groups in Rural India, *World Bank Economic Review*, 28(3): pp. 492-524.
- Karlan, D. and J. Morduch (2010), *Access to Finance*, Chapter 71 of "Handbook of Development Economics, volume 5".

LECTURE 14 [JUNE 1]: FINAL EXAM